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## Mexico

### Grain and Feed

### Update on Grain & Feed

**2008**

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**Report Highlights:** High international grain prices will continue to have an impact on the overall production and import of grains in Mexico. High international prices are expected to encourage an increase in corn, wheat, and rice production for MY 2008/09, while the MY 2008/09 production estimates for sorghum and dried beans are forecast to drop. The MY 2008/09 import estimates for corn and sorghum have been lowered due to farmers relying on an increase in domestic corn production for feed purposes and wheat and rice imports have also been revised downward to account for the increase in domestic production. However, the dried bean import estimate is forecast to increase 50,000 MT for MY 2008/09.

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Includes PSD Changes: Yes  
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## CORN

The MY 2007/08 production estimate has been increased based on the latest Mexican government data and taking into account better weather conditions. According to official sources, yields increased during the spring/summer 2007 crop cycle due to many factors, including timely and above average rains and excellent pest control programs during the planting season. Other contributing factors included: improved seed varieties, higher sowing density, and better cultural practices in the main producing areas such as Jalisco and the state of Mexico. The harvested area estimate for MY 2007/08 has been reduced to reflect the most recent official information. Meanwhile, the production forecast for MY 2008/09 increased from our previous estimate to 23 MMT on the assumption that growers will continue using the improved seed varieties and better cultural practices. Official sources have stated that the rainy season was late in the northwest part of the country at the beginning of the season, which forced farmers to delay planting. However, they pointed out that this delay in planting should not lower yields for the fall harvest since the June rains have been above average.

The MY 2008/09 forecast for domestic feed consumption has been reduced to 17.4 MMT. The use of corn for feed should decline as the recent international price movements are leading to a decrease in demand. According to trade sources, a significant amount of feed has already been rationed, mainly from imported yellow corn. These sources have stated that many animal feed producers have taken advantage of the Forward Contracts and Advance Purchasing Programs for the current MY 2007/08 (see [MX8017](#) & [MX7071](#)). As a result, they are using domestic white corn, rather than imported yellow corn, to meet part of the demand from the livestock industry. However, at the same time, demand is decreasing within the livestock sector, mainly from medium and small poultry and hog growers. Given the on-going increase in prices, these poultry and hog growers will probably continue liquidating some of the livestock inventory in MY 2008/09. For MY 2007/08, the domestic feed consumption estimate has been revised downward to 16.9 MMT, to match new private-industry information.

As result of the decline in demand in the feed sector and the expected increase in domestic production, the MY 2008/09 import estimate has been decreased to 10.5 MMT. Similarly, the import estimate for MY 2007/08 has been reduced to 10.1 MMT. Simply, the Mexican feed industry has been more reluctant to import U.S. corn because of the increase in domestic corn production and the rise in international corn prices. The export estimate for MY 2008/09 has been revised downward slightly based on private source information.

## SORGHUM

Production and harvested area estimates for MY 2008/09 have been revised downward from the previous estimates. However, this production level and the harvested area are still approximately 100,000 MT and 50,000 hectares higher, respectively, than the revised estimates of MY 2007/08. Production and harvested area for the MY 2007/08 estimate have been revised downward to reflect the latest official government data as well estimates from private sources.

According to official sources, weather conditions have been favorable in the 'Bajio' region, comprised of the states of Guanajuato, Michocan and Jalisco in west central Mexico, where the bulk of the fall harvest is produced. For MY 2008/09, official sources estimate that the Bajio region will account for approximately 33.1 percent of total production while 31.9 percent will be produced in the state of Tamaulipas.

The import estimates for MY 2007/08 and MY 2008/09 have been revised downward to 1.0 MMT and 1.3 MMT, respectively, from our previous estimates. Both decreases reflect the continued high prices for sorghum in the United States. According to Mexican official figures, during the first eight months of MY 2007/08 (Oct. 07 – May 08) imports of sorghum have fallen sharply from the same period a year ago. Feed domestic consumption in both MY 2007/08 and MY 2008/09 has also been revised downward to reflect the decline in imports. Similar to the situation facing corn, the feed industry is consuming a significant amount of domestic white corn for feed due to the high price of sorghum in the United States.

Ending stock estimates for MY 2008/09 have been adjusted upward due to lower-than-previously estimated consumption.

## DRY BEANS

MY 2007/08 production and harvested area estimates have been revised downward based on the latest official figures issued by the Secretariat of Agriculture, Livestock, Rural Development, Fishing and Food (SAGARPA). According to official sources, the past year was characterized by dry weather conditions in the main producing states, such as Zacatecas and Durango. The states of Zacatecas and Durango, along with Sinaloa, account for nearly 50 percent of total bean production in Mexico.

Similarly, production and harvested area estimates for MY 2008/09 have also been revised downward to 1.120 MMT and 1.340 million hectares, respectively. The combination of the high prices producers can receive for alternative crops such as corn and the effectiveness of the governmental conversion program, which works to move less productive hectares into forage crops, as well as, malting barley (see [MX8017](#)), has led to this reduction in area. For example, growers in Zacatecas are expected to plant approximately 475,000 hectares of dry beans in the 2008 spring/summer crop cycle, which is 15.5 percent lower than the same cycle a year ago or approximately 81,000 hectares.

The consumption estimates for MY 2007/08 and MY 2008/09 have been adjusted downward reflecting the latest SAGARPA information. According to SAGARPA sources, bean consumption estimates are based on information from the Income-Expenditure Census. The National Institute of Statistics, Geography and Computer Data (INEGI) compiles this census, which includes information on food expenses. This estimate is believed to be more accurate and reliable than previous estimation sources and clearly shows a long-term decline in per capita consumption, although higher prices for other protein sources may slow this trend in the short term.

The dry bean import estimate for MY 2008/09 has been revised upward to 150,000 MT. Industry sources estimate that Mexican consumers should become more reliant on U.S. bean imports because of the drop in domestic production.

## WHEAT

As a result of beneficial weather, sufficient water supply and better inputs MY 2007/08 production forecast figures has been revised upward to 3.59 MMT. Attractive prices in foreign markets are also helping to entice producers to consider bringing back idle wheat lands. Despite an increase in the cost of inputs such as certified grain seeds and the elevated cost of electricity for water pumping, total Mexican wheat production forecast for MY 2008/09 has been revised upward to 3.89 MMT. The increase is due to expanded area planted that has been aided by the implementation of a GOM project intended to increase production, high international prices, and the use of agricultural forward contracts signed by producers committing them to plant wheat.

The MY 2007/08 total consumption estimate has been lowered as a result of a contraction in the consumption of wheat-baked goods. However, for MY 2008/09 post forecasts an increase in the total consumption over the previous year's revised estimate due to increased production, allowing sufficient supply to cover the continued growth in preferences among consumers for wheat-baked goods and the needs of the industrial sector.

Imports for MY 2007/08 have been revised downward, with recent information from the industry indicating a contraction in consumption due to high prices of wheat and wheat-based products. The MY 2008/09 forecast has been revised down at 3.4 MMT, similar to the previous year's revised estimate. In addition to high international prices, this decrease is also driven by the GOM's intention to increase production of soft wheat more suitable for bakery purposes, which in the past has been the kind of wheat that Mexico usually imports. Nevertheless, the United States and Canada will continue to be the main wheat suppliers to Mexico. Prices, undoubtedly, will play a large role in deciding the source and amount of imports.

Exports for MY2007/08 & MY2008/09 have been revised up from our previous estimate due to producers sending wheat to the export market due to high international prices that previously would have been destined to domestic feed cattle operations.

## **RICE**

The MY 2007/08 production estimate has been increased based on the latest Mexican official data reflecting favorable weather conditions. The enlargement of planted area was the key factor to fuel this increase. As previously reported, the once idle lands devoted to rice production are being brought back into production. Harvested area for MY 2007/08 has also been revised upward reflecting more recent official data.

Rice production for MY2008/09 forecast has been revised upward based on the increased acreage in main producer states. The increase on area devoted to rice production is enticed, mainly, by the fact that the rice production in Mexico, which has generally been a profitable activity, is even more so with the current high international prices. In addition, the GOM has recently developed a project to promote the competitiveness of rice producers through favorable financing and the application of better technology, such as increased use of hybrid seeds.

According to private sources, imports for MY 2007/08 are now expected to decrease in light of reduced production in the United States and the increased domestic production. For the same reasons, a slight drop in MY 2008/09 import levels has now been forecast. Nevertheless, Mexico will remain an important market for the U.S. rice.

## PS&amp;D Corn

PSD Table (1000 HA) (1000 MT) (MT/HA)									
Corn Mexico	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		July Data
Area Harvested	7,375	7,375	7,375	7,400	7,400	7,350	7,450	7,450	7,450
Beginning Stocks	2,707	2,707	2,707	3,084	3,079	3,079	3,184	2,839	2,959
Production	22,350	22,354	22,354	22,500	22,530	22,650	23,000	22,750	23,000
MY Imports	8,944	8,526	8,526	9,700	10,800	10,100	10,500	11,400	10,500
TY Imports	8,944	8,526	8,526	9,700	10,800	10,100	10,500	11,400	10,500
TY Imp. from U.S.	8,893	8,526	8,526	0	10,800	10,100	0	11,400	10,500
Total Supply	34,001	33,587	33,587	35,284	36,409	35,829	36,684	36,989	36,459
MY Exports	217	208	208	100	170	170	100	200	170
TY Exports	217	208	208	100	170	170	100	200	170
Feed Consumption	15,100	14,700	14,700	16,200	17,600	16,900	17,000	18,100	17,100
FSI Consumption	15,600	15,600	15,600	15,800	15,800	15,800	16,000	16,000	16,000
Total Consumption	30,700	30,300	30,300	32,000	33,400	32,700	33,000	34,100	33,100
Ending Stocks	3,084	3,079	3,079	3,184	2,839	2,959	3,584	2,689	2,889
Total Distribution	34,001	33,587	33,587	35,284	36,409	35,829	36,684	36,989	36,459
Yield	3.0	3.0	3.0	3.0	3.0	3.082	3.0	3.0	3.087

## PS&amp;D Sorghum

PSD Table (1000 HA) (1000 MT) (MT/HA)									
Sorghum Mexico	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		July Data
Area Harvested	1,595	1,595	1,595	1,750	1,750	1,700	1,800	1,800	1,750
Beginning Stocks	553	553	553	217	245	245	417	245	245
Production	5,810	5,810	5,810	6,300	6,300	6,100	6,000	6,450	6,200
MY Imports	1,954	1,882	1,882	800	1,800	1,000	1,500	1,850	1,300
TY Imports	1,954	1,882	1,882	800	1,800	1,000	1,500	1,850	1,300
TY Imp. from U.S.	1,954	1,882	1,882	0	1,800	1,000	0	1,850	1,300
Total Supply	8,317	8,245	8,245	7,317	8,345	7,345	7,917	8,545	7,745
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	8,000	7,900	7,900	6,800	8,000	7,000	7,500	8,200	7,300
FSI Consumption	100	100	100	100	100	100	100	100	100
Total Consumption	8,100	8,000	8,000	6,900	8,100	7,100	7,600	8,300	7,400
Ending Stocks	217	245	245	417	245	245	317	245	345
Total Distribution	8,317	8,245	8,245	7,317	8,345	7,345	7,917	8,545	7,745
Yield	4.0	4.0	3.64	4.0	4.0	4.00	3.0	4.0	3.54

## PS&amp;D Dry Beans

PSD Table (1000 HA) (1000 MT) (MT/HA)									
Beans Mexico	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jan 2006			Market Year Begin: Jan 2007			Market Year Begin: Jan 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		July Data
Area Harvested	0	1,660	1,660	0	1,480	1,465	0	1,560	1,340
Beginning Stocks	0	65	65	0	213	213	0	75	50
Production	0	1,331	1,331	0	1,105	1,005	0	1,200	1,120
MY Imports	0	129	129	0	90	90	0	100	150
TY Imports	0	129	129	0	90	90	0	100	150
TY Imp. from U.S.	0	105	105	0	73	85	0	80	140
Total Supply	0	1,525	1,525	0	1,408	1,308	0	1,375	1,320
MY Exports	0	12	12	0	18	18	0	10	10
TY Exports	0	12	12	0	18	18	0	10	10
Feed Consumption	0	0	0	0	0	0	0	0	0
FSI Consumption	0	1,300	1,300	0	1,315	1,240	0	1,330	1,250
Total Consumption	0	1,300	1,300	0	1,315	1,240	0	1,330	1,250
Ending Stocks	0	213	213	0	75	50	0	35	60
Total Distribution	0	1,525	1,525	0	1,408	1,308	0	1,375	1,320
Yield	0.000	0.802	0.802	0.000	0.747	0.686	0.000	0.769	0.836

## PS&amp;D Wheat

PSD Table (1000 HA) (1000 MT) (MT/HA)									
Wheat Mexico	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		July Data
Area Harvested	570	570	570	722	677	722	680	680	769
Beginning Stocks	312	312	312	414	340	340	414	444	444
Production	3,240	3,240	3,240	3,600	3,534	3,593	3,550	3,550	3,887
MY Imports	3,610	3,549	3,549	3,600	3,600	3,400	3,700	3,650	3,400
TY Imports	3,610	3,549	3,549	3,600	3,600	3,400	3,700	3,650	3,400
TY Imp. from U.S.	2,353	2,289	2,289	0	2,501	2,400	0	2,600	2,500
Total Supply	7,162	7,101	7,101	7,614	7,474	7,333	7,664	7,644	7,731
MY Exports	548	536	536	850	570	600	700	664	700
TY Exports	548	536	536	850	570	600	700	664	700
Feed Consumption	100	200	200	100	200	189	100	190	190
FSI Consumption	6,100	6,025	6,025	6,250	6,260	6,100	6,350	6,390	6,401
Total Consumption	6,200	6,225	6,225	6,350	6,460	6,289	6,450	6,580	6,591
Ending Stocks	414	340	340	414	444	444	514	400	440
Total Distribution	7,162	7,101	7,101	7,614	7,474	7,333	7,664	7,644	7,731
Yield	6.0	6.0	5.6842	5.0	5.0	4.9765	5.0	5.0	5.0546

## PS&amp;D Rice

PSD Table (1000 HA) (1000 MT) (MT/HA)									
Rice, Milled Mexico	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Jul Data
Area Harvested	52	52	52	55	55	70	55	55	75
Beginning Stocks	159	180	180	146	146	146	187	200	170
Milled Production	181	181	181	185	185	195	185	185	209
Rough Production	271	271	271	277	277	292	277	277	313
Milling Rate (.9999)	.6667	.6667	.6667	.6667	.6667	.6667	.6667	.6667	.6667
MY Imports	594	535	535	650	650	600	650	650	600
TY Imports	609	535	535	650	650	600	650	650	600
TY Imp. from U.S.	607	535	535	649	649	558	0	649	558
Total Supply	934	896	896	981	981	941	1022	1035	979
MY Exports	0	0	0	14	12	12	10	10	10
TY Exports	0	0	0	14	12	12	10	10	10
Total Consumption	788	750	750	780	769	759	812	825	825
Ending Stocks	146	146	146	187	200	170	200	200	144
Total Distribution	934	896	896	981	981	941	1022	1035	979
Yield (Rough)	5.2115	5.2115	5.2115	5.0364	5.0364	4.1714	5.0364	5.0364	4.1733